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3 MAR 1980

MEMORANDUM FOR: Director of Logistics

VIA: Inspector General *BJB*

FROM:
Chief, Audit Staff

SUBJECT: Report of Audit, Procurement Division,
For the Period 1 November 1976 -
31 December 1979

1. Subject report is attached. Please advise me of the action taken on recommendations made in the report.

2. We appreciate the cooperation and assistance provided by your staff during the audit.



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Attachment:
As stated

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REPORT OF AUDIT
Office of Logistics
Procurement Division

For the Period
1 November 1976 - 31 December 1979

SUMMARY

1. Administrative controls and procedures were generally effective and in conformance with applicable regulations. Settlement of completed contracts continues to be a problem. Other matters in need of attention include missing contract files and personal use of an official vehicle. Observations pertaining to other administrative matters were discussed with responsible officers and resolved during the audit.

2. Recommendations resulting from this audit are presented in the detailed comments section of this report.

SCOPE OF AUDIT

3. The audit included a review of contracts in settlement over two years old, closed contracts and Government-furnished property. Financial and logistical transactions were tested to determine whether documentation, approvals, and certifications were in accordance with appropriate accounting and reporting requirements and to ensure that expenditures were incurred within the scope of authorized activities.

4. Other Procurement Division (PD) activities not covered during this audit were examined by the OIG Inspection Staff during a recent survey of industrial contracting and security.

5. Proprietary Project the covert procurement mechanism of PD, is audited and reported upon separately.

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6. PD is responsible for procurement of equipment, supplies, and nonpersonal services necessary to support Agency activities. Chief, Procurement Division, acts as ~~Contracting Officer for the Directorates of Administration and Operations, the Resource Management Staff, Independent Offices, and the Office of the DCI.~~ In that capacity, he is authorized to negotiate, execute, administer, and settle contracts for research, development and engineering; services; and prototypes. Procurement of automatic data processing equipment and related supplies, materials and services is an additional responsibility. PD also conducts covert procurement actions and makes open-market purchases of supplies and services for all elements of the Agency.

7. PD has a personnel complement of employees. The Division's Fiscal Year 1979 allotment, including Property Requisitioning Authority, was

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DETAILED COMMENTSContracts in Settlement

8. Settlement of completed contracts has been a continuing problem which management has recognized and attempted to resolve. An objective was established to settle and retire all contracts within six months after completion of work or, where applicable, within six months after receipt of a final audit report. Efforts to meet this objective included a Procurement Improvement Seminar held in January 1980 to review the basic procedures employed in settlement of contracts. In addition, arrangements are being made to provide branch chiefs with periodic status reports on contracts in settlement, and responsibility for settlements will become part of the individual Contract Specialist's Advance Work Plan.

9. The Contract Information System was queried to determine the number of contracts in settlement with completion dates prior to 31 December 1977 and why they remained open. PD had such contracts, of which 40 were selected for detailed review. Seven of the selected files could not be found, although extensive efforts were made to locate them. Examination of the remaining files in the sample indicated that various documents were needed to settle the contracts, including final releases, final cumulative claims and reconciliation statements, notices of final payment, and final patent and property statements. Overhead rates had been established for all but three of the contracts reviewed.

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10. Given the number of contracts in settlement, and the Contract Specialists' heavy active contract workload, it appears that an alternative settlement process should be considered. Establishment of a branch dedicated solely to contract settlements may be the most satisfactory solution. This approach, however, would require either new resources for PD or reallocation of existing resources.

Recommendation #1: Consider establishment of a contract settlement branch.

Recommendation #2: Determine the disposition of missing contract files.

Use of Agency Vehicle

25X1 11. [] is assigned an Agency-owned vehicle for use in making [] All
operating costs are paid by the Agency. The Chief, 25X1
25X1 [] commutes to and from work in the vehicle without reimbursement to the Agency. This arrangement was apparently made because of presumed possible security implications in parking the vehicle overnight at
25X1 [] although it is frequently parked there during the day.

25X1 12. [] provides that individuals must reimburse the Agency for the nonofficial use of Agency vehicles and defines transportation between home and office as non-official.

Recommendation #3: Require reimbursement to the Agency for non-official use of the Agency vehicle assigned to the [] Staff. 25X1

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